

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ARA-06 EUR-12 EA-07 NEA-10 IO-13
ISO-00 AGR-05 STR-04 SP-02 USIA-06 AID-05 NSC-05
EPG-02 TRSE-00 SS-15 OMB-01 CEA-01 OIC-02 PRS-01
CIAE-00 INR-07 NSAE-00 COME-00 ITC-01 IGA-02 L-03
SSO-00 /128 W

-----071200Z 060579 /41

R 061723Z MAY 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3738

INFO ALL EC CAPITALS

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY JIDDA

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY PORT LOUIS

AMEMBASSY SAN JOSE

AMEMBASSY SUVA

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR, EEC

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SUBJECT: EC POSITION ON ISA

1. RECENT MISSION CONVERSATIONS WITH THE COMMISSION HAVE
GIVEN US THE FOLLOWING PICTURE OF EC ATTITUDES TOWARDS
CURRENT DISCUSSIONS IN GENEVA ON AN INTERNATIONAL SUGAR
AGREEMENT (ISA).

2. DIRECTOR GENERAL FOR AGRICULTURE RABOT TOLD AGATTACHE THAT THE COMMUNITY WOULD UNDER NO CIRCUMSTANCES PARTICIPATE IN AN ISA THAT DID NOT CONTAIN PROVISIONS FOR STOCKS. HE SAID THAT THE EC WAS PLEASED THAT THE US PROPOSAL EMBODIED SOME OF ITS OWN REQUIREMENTS FOR AN ISA, BUT SAID AN AGREEMENT WOULD NOT BE ADOPTED DURING THE CURRENT GENEVA NEGOTIATING CONFERENCE. AT SOME TIME IN THE NEXT ISA ROUND OF NEGOTIATIONS, THE EC WOULD PROBABLY ACCEPT SOME FORM OF EXPORT QUOTAS.

3. OUR SEPARATE DISCUSSIONS WITH A COMMISSION WORKING LEVEL OFFICIAL IN THE SUGAR DIVISION ELABORATED ON RABOT'S REMARKS. OUR CONTACT TELLS US THAT THE EC DOES NOT FEEL PRESSURED BY THE ISA DISCUSSIONS BECAUSE IT (A) DOESN'T FEEL THAT AN ARRANGEMENT BASED ON EXPORT QUOTAS ("PAPER QUOTAS") WILL EVER WORK SINCE INTERNATIONALLY-FIXED QUOTAS ARE NEVER SET AT REALISTIC LEVELS, (B) EVEN THOUGH IT SEES MERIT IN THE US PROPOSAL IT DOES NOT BELIEVE SUCH A PROPOSAL WILL EVER BE ADOPTED ON THE BASIS OF CURRENT SOUNDINGS IN GENEVA, AND (C) DOES NOT THINK THAT TRADITIONAL EC CUSTOMERS WILL EVER BE A PARTY TO AN ISA. THE COMMUNITY WOULD CHANGE ITS ATTITUDE ON AN ISA ONLY IF STOCKING PROVISIONS AS IN THE US PROPOSAL WOULD BE ADOPTED AND IF EC CUSTOMERS WERE WILLING TO PARTICIPATE IN AN AGREEMENT WHICH INTER ALIA WOULD COMMIT THEM TO BUY ONLY FROM ISA PARTICIPANTS.

4. AS THE COMMISSION SEES IT, ONE OF THE PROBLEMS WITH THE US PROPOSAL IS THAT IT GIVES NO COST ESTIMATES FOR HOLDING STOCKS AND DOESN'T EXPLAIN HOW THIS BURDEN WOULD BE SHARED BY IMPORTERS AND EXPORTERS. OUR SOURCE CONCEDES THAT THE LIMITED OFFICIAL USE

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COMMISSION DRAFT STOCKING PROPOSAL DOESN'T CONTAIN SUCH ESTIMATES EITHER BUT EXPLAINS THAT SINCE THE COMMISSION NEVER EXPECTED ITS PROPOSAL TO BE ACCEPTED IT DIDN'T FEEL THE NEED TO BOTHER WITH GOING THROUGH ANY ARITHMETICAL EXERCISE.

5. ON POINT C ABOVE, THE COMMISSION IS CONVINCED THAT EC'S MIDDLE EASTERN AND AFRICAN CUSTOMERS WILL NEVER FIND IT IN THEIR INTERESTS TO SIGN AN ISA AS CURRENTLY ENVISAGED. OUR SOURCE SAYS EC CUSTOMERS ARE ALMOST ALWAYS ASSURED OF STABLE EC SUPPLIES AT GOOD QUALITY AND AT REASONABLE PRICES. THE EC IS VIRTUALLY THE ONLY EXPORTER OF WHITE SUGAR IN THE WORLD (POLAND AND CZECHOSLAVAKIA ARE SMALL SUPPLIERS. RUSSIA TENDS TO BE AN UNSTABLE EXPORTER). EX CUSTOMERS DO NOT HAVE ANY SIGNIFICANT REFINING CAPACITY SO THEY ARE WHITE SUGAR BUYERS. OUR SOURCE IS DOUBTFUL THAT THESE COUNTRIES COULD FIND INTERNATIONAL FINANCING TO DEVELOP SUCH CAPACITY, PARTICULARLY WITHIN THE NEXT 5 OR SO YEARS WHICH PRESUMABLY WOULD BE THE LIFETIME OF THE ISA BEING DISCUSSED AT PRESENT. MOST IMPORTANTLY, THE COMMISSION DOES NOT THINK THAT THEIR

LDC CUSTOMERS WOULD DEPRIVE THEMSELVES OF CHEAPER SOURCES OF SUGAR, AS AN ISA WOULD OBLIGE THEM TO DO, IN TIMES OF SURPLUS WHEN IMPORTERS WOULD ONLY BE ALLOWED TO BUY SUGAR FROM PARTICIPANT SUPPLIERS AT NO LESS THAN THE BOTTOM LINE OF THE AGREED PRICE FORK.

6. FINALLY, WE ASKED OUR COMMISSION SOURCE IF THE COMMUNITY IMAGE OF LDC PROTECTOR WAS NOT TARNISHED BY ITS STONEWALLING POSITION IN THE SUGAR TALKS. HE RESPONDED THAT THE EC DIDN'T FEEL BAD ABOUT ITS PROFILE IN GENEVA ON THIS MATTER SINCE IT FEELS IT HAS ALREADY DONE ITS BIT FOR LDC SUGAR WITH THE LOME CONVENTION. (COMMENT: THESE OPINIONS ARE THOSE OF THE AGRICULTURAL EXPERTS IN THE COMMISSION. WE DOUBT THAT DEVELOPMENT OFFICIALS WOULD BE QUITE SO CASUAL ABOUT LDC PRESSURES).HINTON

NOTE BY OC/T: AGRICULTURE'S ELECTRONIC CIRCUIT IS INOPERATIVE
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AT THIS TIME.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Sent Date: 06-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
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Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2619604
Secure: OPEN
Status: NATIVE
Subject: EC POSITION ON ISA
TAGS: EAGR, PORG, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e3c38a99-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009